

ORIGINAL

NEW APPLICATION



0000098302

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Arizona Corporation Commission

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

MAY 20 2009

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COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

DOCKETED BY

E-01345A-09-0255

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF TRANSMISSION COST
ADJUSTOR CHARGES.

DOCKET NO. E-01345A-09-_____

APPLICATION

I. INTRODUCTION

Pursuant to Decision No. 67744 (April 7, 2005), Arizona Public Service Company ("APS" or "Company") hereby requests that the Commission approve Revision No. 3 to Adjustment Schedule TCA-1 ("TCA-1"), effective July 1, 2009. *See* Attachment A. TCA-1 reflects the transmission rates authorized by the Federal Energy Regulatory Commission ("FERC") that will become effective for users of the APS transmission system as of June 1, 2009. A red-lined version of TCA-1 is also included with this Application as Attachment B.

II. BASIS FOR THE COMPANY'S REQUEST

In Decision No. 67744, the Commission approved a transmission cost rate adjustment mechanism, or TCA. *See* Attachment C. The initial TCA charge was set at \$0.00/kWh, with base electric rates reflecting an effective transmission charge of \$.00476 per kWh. Under the terms of Decision No. 67744, "[T]he TCA goes into effect when the transmission component of retail rates exceeds the test year base amount of \$.00476 per kWh by 5 percent and APS obtains Commission approval of a [new] TCA rate. *See* Decision No. 67744 at page 28. Because FERC establishes

1 unbundled transmission rates for all users of the APS transmission system, the purpose of the
2 TCA was to permit more timely recovery by APS of transmission costs from all customers. The
3 Commission further stated that the TCA would "ensure that any potential direct access customers
4 pay the same for transmission as Standard Offer Customers." *Id.*

5 In Decision No. 69663 (June 28, 2007), the Commission changed the structure of APS's
6 unbundled transmission charges and the TCA to mirror the Company's Open Access
7 Transmission Tariff ("OATT") as approved by FERC. Specifically, the previous uniform per
8 kWh charge was converted to a per kW charge for customers having demands greater than 20 kW
9 and having demand meters while remaining as a per kWh charge for smaller customers (including
10 residential customers) or customers that are not metered for demand.

11 In Decision No. 70179 (February 27, 2008), the Commission approved the first
12 implementation of the TCA in response to higher FERC-authorized transmission rates that
13 became effective March 1, 2008 (although filed in June of 2007). That Decision specifically
14 found that the 5 percent "trigger" referenced in Decision No. 67744 had been met.

15 In Decision No. 70400 (July 3, 2008), the Commission approved a second revision to the
16 TCA effective as of the date of the order. This currently approved TCA-1 Rate Schedule is
17 attached hereto as Attachment D.

18 **III. IMPACT OF THE PROPOSED TCA CHARGES**

19 The impact on retail revenues from the new TCA charges is approximately \$21 million
20 per year. For a typical APS residential customer, this means an increase of roughly \$1.23 per
21 month. An analysis of typical customer bill impact is shown on Attachment E. The TCA charges
22 also reflect any credits due to customers as a result of the previous year's review period of the
23 FERC formula rate method and refunds of amounts collected from March 1, 2008 through June
24 30, 2008 prior to FERC Settlement rates being approved.
25
26

1 In addition, the review of the forecast presented in last year's FERC filing, performed by
2 Staff and its consultant, identified adjustments to be made to certain rate-based items
3 (approximately \$16 million) and also to certain income statement items (approximately \$8
4 million). In total, these adjustments had the effect of lowering the calculated 2008 revenue
5 requirement by some \$10 million. The dollar impact of such adjustments will vary from year to
6 year, but the Company did incorporate these same adjustments into the 2009 Annual Update
7 submitted to FERC on May 15, 2009, as well into the present filing, resulting in a lower increase
8 to APS customers (approximately \$6 million) in this rate proceeding, or \$0.28 per month for a
9 typical APS residential customer.

10 When reviewing Attachment E, it is important to bear in mind that the FERC cost
11 allocation method assigns transmission costs based on customer class load during the four
12 summer peak months. For that reason, the allocation of revenue requirement responsibility for
13 transmission costs may vary from year to year, depending upon what class produced the greatest
14 load relative to other classes of retail customers. In 2008, the residential customer class
15 contributed more load to the summer peaks than in prior years, and its revenue requirement
16 responsibility increased accordingly.¹ And, although the peak contribution of residential
17 customers increased relative to other classes, the 2008 residential energy sales were lower than in
18 previous years.² This also resulted in additional upward rate pressure for the residential class
19 because the increased revenue requirement was spread over a lower sales volume. As noted
20 above, such relatively small swings in revenue requirement responsibility from one year to the
21 next are to be expected, and they could just as easily produce the opposite result in future years.

22
23
24 ¹ In 2007, residential customers were 52.45% of total retail summer demand, while the commercial and industrial
25 customer classes were 41.29% and 6.26%, respectively. In 2008, residential customers comprised 53.02% of total
26 retail demand.

² Residential energy consumption fell 2.7% from 2007 to 2008.

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1 Rebecca Wilder
Janice Alward
2 Janet Wagner
Lyn Farmer
3 Jodi Jerich, Residential Utility Consumer Office

4 Donna Turner

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Attachment A



ADJUSTMENT SCHEDULE TCA-1 TRANSMISSION COST ADJUSTMENT

APPLICATION

The Transmission Cost Adjustment ("TCA") charge shall apply to all Standard Offer retail electric schedules, with the exception of solar rates Solar-1, Solar-2, and SP-1. All provisions of the customer's current applicable rate schedule will apply in addition to this charge.

ANNUAL ADJUSTMENT

Standard Offer rate schedules covered by this charge include a transmission component of base rates that was originally established at \$0.00476 per kilowatt-hour in accordance with A.C.C. Decision No. 67744. Decision No. 67744 also established the TCA. Decision No. 69663 modified the collection of transmission costs in retail rates to tie to the costs found in the FERC approved Open Access Transmission Tariff.

RATE

The charge shall be applied as follows:

| Customer Class | TCA Charge |
|--|----------------|
| Residential | \$0.002258/kWh |
| General Service 20 kW or less | \$0.001889/kWh |
| General Service over 20 kW, under 3,000 kW | \$0.902/kW |
| General Service 3,000 kW and over | \$0.225/kW |

Attachment B



ADJUSTMENT SCHEDULE TCA-1 TRANSMISSION COST ADJUSTMENT

APPLICATION

The Transmission Cost Adjustment ("TCA") charge shall apply to all Standard Offer retail electric schedules, with the exception of solar rates Solar-1, Solar-2, and SP-1. All provisions of the customer's current applicable rate schedule will apply in addition to this charge.

ANNUAL ADJUSTMENT

Standard Offer rate schedules covered by this charge include a transmission component of base rates that was originally established at \$0.00476 per kilowatt-hour in accordance with A.C.C. Decision No. 67744. Decision No. 67744 also established the TCA. Decision No. 69663 modified the collection of transmission costs in retail rates to tie to the costs found in the FERC approved Open Access Transmission Tariff.

RATE

The charge shall be applied as follows:

| Customer Class | TCA Charge |
|--|--|
| Residential | \$0.001210 <u>\$0.002258</u> /kW h |
| General Service 20 kW or less | \$0.001220 <u>\$0.001889</u> /kW h |
| General Service over 20 kW, under 3,000 kW | \$0.638 <u>902</u> /kW |
| General Service 3,000 kW and over | \$0.346 <u>225</u> /kW |

Attachment C

1 agencies to determine the efficiency and practicality of such a streamlined approach.

2 The Commission believes that APS should work to make its low-income assistance programs
3 widely available, including to Native Americans living inside the Company's service territory.
4 Within six months of the effective date of this Order, APS shall develop an outreach plan that will
5 enable it to better inform the state's Tribes about the Company's low-income assistance programs.
6 The plan should be filed with the Commission and made available to Tribal authorities within APS'
7 service territory.

8 n. Returning Customer Direct Access Charge ("RCDAC")

9 The Settlement Agreement provides that APS can recover from Direct Access customers the
10 additional cost that would otherwise be imposed on other Standard Offer customers if and when the
11 former return to Standard Offer from their competitive suppliers. The RCDAC shall not last longer
12 than 12 months for any individual customer. The charge will apply only to individual customers or
13 aggregated groups of 3 MW or greater who do not provide APS with one year's advance notice of
14 intent to return to Standard Offer service. APS will file a Plan of Administration as part of its tariff
15 compliance filing.

16 o. Service Schedule Changes

17 The Settlement Agreement adopts several of APS' proposed changes to service schedules,
18 including Schedule 3, but with the retention of the 1,000 foot construction allowance for individual
19 residential customers and also with any individual residential advances of costs being refundable.
20 Several APS customers made public comment about the line extension policy and how it has not been
21 modified in a long time. We will direct Staff to work with APS to review its line extension policy
22 and determine whether the construction allowance should be modified.

23 p. Nuclear Decommissioning

24 The decommissioning costs as recommended by APS are adopted as set forth in Appendix I to
25 the Settlement Agreement.

26 q. Transmission Cost Adjustor ("TCA")

27 The Settlement Agreement establishes a transmission cost adjustor ("TCA") to ensure that
28 any potential direct access customers pay the same for transmission as Standard Offer customers.

1 The TCA is limited to recovery of costs associated with changes in APS' open access transmission
 2 tariff ("OATT") or equivalent tariff. The TCA goes into effect when the transmission component of
 3 retail rates exceeds the test year base amount of \$0.00476³⁶ per kWh by 5 percent and APS obtains
 4 Commission approval of a TCA rate.

5 r. Distributed Generation

6 Generally, distributed generation is small-scale power generation units strategically located
 7 near customers and load centers. According to the ACA/DEAA, the benefits of distributed energy
 8 systems include: greater grid reliability; increased grid stability (voltage support along transmission
 9 lines); increased system efficiency (reduction in transmission line losses); increased efficiency;
 10 flexibility; decreased pressure on natural gas (demand and cost); leverage of resources; and
 11 sustainable installations.

12 The Settlement Agreement provides that Staff shall schedule workshops to consider
 13 outstanding issues affecting distributed generation and shall refer to the results of the prior distributed
 14 generation workshops for issues to study.

15 ACA/DEAA presented its objectives at hearing as follows: a DG workshop with strong Staff
 16 leadership; clear goals, ground rules, milestones, and deadlines; participants with authority;
 17 continuing reports to ACC and management; and a process to bring contested issues to the
 18 Commission for resolution. None of the proponents of the Settlement Agreement oppose
 19 Commission adoption of these objectives.

20 In its post-hearing brief, ACA/DEAA listed the following guidelines as "overriding criteria":
 21 1) rates must be fair; 2) rates should be designed to send as efficient as possible pricing signals to
 22 consumers; 3) impediments to customer choices, such as unnecessarily difficult and expensive
 23 interconnection to the grid, should be eliminated to the maximum extent possible; 4) all generators
 24 should be treated fairly - large and small; and 5) proposals, if implemented, should not interfere with
 25 the Commission's public policy goals. ACA/DEAA made 3 recommendations: 1) Rate Design - the
 26 Commission should adopt an experimental rate for partial requirement customers. The proposal
 27

28 ³⁶ Paragraph 106 of the Settlement Agreement contains a typo; the amount "\$0.000476" should actually be "\$0.00476,"
 Tr. p. 1168.

XV. Nuclear Decommissioning

103. Decommissioning costs shall be as proposed in APS' direct testimony. Attached as Appendix I is the level of decommissioning costs authorized and included in APS' total settlement test year revenue requirement.

XVI. Transmission Cost Adjustor

104. A transmission cost adjustor ("TCA") shall be established in order to ensure that any potential direct access customers will pay the same for transmission as standard offer customers. The TCA shall be limited to recovery (refund) of costs associated with changes in APS' open access transmission tariff ("OATT") or the tariff of an RTO or similar organization.

105. Whenever APS files an application with FERC to change its transmission rates, it shall file a notice with the Commission of its application. APS shall at the same time also provide a copy of its application to the Director of the Utilities Division.

106. The TCA shall not take effect until the transmission component of retail rates exceeds the test year base of \$0.000476 per kWh by five percent. When this trigger amount is reached, APS may file for Commission approval of a TCA rate.

107. As part of the tariff compliance filing set forth in Paragraph 135, APS shall file a plan of administration that describes how the TCA shall operate.

XVII. Distributed Generation

108. Commission Staff shall schedule workshops to consider outstanding issues affecting distributed generation. Staff shall refer to the results of prior distributed generation workshops when determining the specific issues that will benefit from further study.

109. If necessary, the workshops may be followed with rulemaking.

XVIII. Bark Beetle Remediation

110. APS is authorized to defer for later recovery the reasonable and prudent direct costs of bark beetle remediation that exceed test year levels of tree and brush control. The deferral account established for this purpose shall not accrue interest.

111. In the Company's next general rate proceeding, the Commission will determine the reasonableness, the prudence, and the appropriate allocation between distribution and transmission of these costs. The Commission will also determine an appropriate amortization period for the approved costs.

Attachment D



ADJUSTMENT SCHEDULE TCA-1 TRANSMISSION COST ADJUSTMENT

APPLICATION

The Transmission Cost Adjustment ("TCA") charge shall apply to all Standard Offer retail electric schedules, with the exception of solar rates Solar-1, Solar-2, and SP-1. All provisions of the customer's current applicable rate schedule will apply in addition to this charge.

ANNUAL ADJUSTMENT

Standard Offer rate schedules covered by this charge include a transmission component of base rates that was originally established at \$0.00476 per kilowatt-hour in accordance with A.C.C. Decision No. 67744. Decision No. 67744 also established the TCA. Decision No. 69663 modified the collection of transmission costs in retail rates to tie to the costs found in the FERC approved Open Access Transmission Tariff.

RATE

The charge shall be applied as follows:

| Customer Class | TCA Charge |
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| Residential | \$0.001210/kWh |
| General Service 20 kW or less | \$0.001220/kWh |
| General Service over 20 kW, under 3,000 kW | \$0.638/kW |
| General Service 3,000 kW and over | \$0.346/kW |

Attachment E

Mean kWh

5/19/2009

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Revised TCA

Mean kWh

| | Current Rates | Proposed Rates | Annual Average Monthly Bill | Summer Monthly Bill | Current Rates | Proposed Rates | Summer Monthly Bill | Winter Monthly Bill | Current Rates | Proposed Rates | Winter Monthly Bill |
|--------------------------------------|------------------|-------------------|--------------------------------------|---------------------------|------------------|-------------------|---------------------------|---------------------------|------------------|-------------------|---------------------------|
| Residential (Rate ET-1) | | | | | | | | | | | |
| Average kWh per Month | 1,522 | 1,522 | 1,522 | 1,917 | 1,917 | 1,917 | 1,917 | 1,127 | 1,127 | 1,127 | 1,127 |
| BSC | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 | \$ 14.79 |
| On-Peak kWh Charge | 80.67 | 80.67 | 80.67 | 114.87 | 114.87 | 114.87 | 114.87 | 46.47 | 46.47 | 46.47 | 46.47 |
| Off-Peak kWh Charge | 49.26 | 49.26 | 49.26 | 60.83 | 60.83 | 60.83 | 60.83 | 37.69 | 37.69 | 37.69 | 37.69 |
| Sub-Total Base Rates | \$ 144.72 | \$ 144.72 | \$ 144.72 | \$ 190.49 | \$ 190.49 | \$ 190.49 | \$ 190.49 | \$ 98.95 | \$ 98.95 | \$ 98.95 | \$ 98.95 |
| PSA - Forward Component | 7.74 | 7.74 | 7.74 | 9.74 | 9.74 | 9.74 | 9.74 | 5.73 | 5.73 | 5.73 | 5.73 |
| PSA - Historical Component | 0.39 | 0.39 | 0.39 | 0.49 | 0.49 | 0.49 | 0.49 | 0.29 | 0.29 | 0.29 | 0.29 |
| Interim Rate Adjustor (January 2009) | 3.44 | 3.44 | 3.44 | 4.33 | 4.33 | 4.33 | 4.33 | 2.55 | 2.55 | 2.55 | 2.55 |
| CRCC (April 2005) | 0.52 | 0.52 | 0.52 | 0.65 | 0.65 | 0.65 | 0.65 | 0.38 | 0.38 | 0.38 | 0.38 |
| EIS (July 2007) | 0.25 | 0.25 | 0.25 | 0.31 | 0.31 | 0.31 | 0.31 | 0.18 | 0.18 | 0.18 | 0.18 |
| RES (January 1, 2009) | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 |
| DSMAC (April 2009) | 0.92 | 0.92 | 0.92 | 1.16 | 1.16 | 1.16 | 1.16 | 0.68 | 0.68 | 0.68 | 0.68 |
| TCA (May, 2009) | 1.84 | 1.84 | 3.44 | 2.32 | 2.32 | 4.33 | 4.33 | 1.36 | 1.36 | 2.54 | 2.54 |
| Total (Base Rates plus Adjustments) | \$ 162.99 | \$ 164.59 | \$ 164.59 | \$ 212.66 | \$ 212.66 | \$ 214.67 | \$ 214.67 | \$ 113.29 | \$ 113.29 | \$ 114.47 | \$ 114.47 |
| Bill Impact | | | 1.60 | | | 2.01 | | | | | 1.18 |
| Percent Bill Impact | | | 0.96% | | | | | | | | |

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Revised TCA

Mean kWh

| G.S. (Rate E-32 > 20kW) Secondary Voltage and Instrument-Rated Meter | Mean kWh | | | | Current Rates | | | | Proposed Rates | | | |
|---|---------------|----------------------------------|----------------|-----------------------------|---------------|---------------------|----------------|---------------------|----------------|---------------------|----------------|---------------------|
| | Current Rates | Annual Average Monthly Bill (\$) | Proposed Rates | Annual Average Monthly Bill | Current Rates | Summer Monthly Bill | Proposed Rates | Summer Monthly Bill | Current Rates | Winter Monthly Bill | Proposed Rates | Winter Monthly Bill |
| Average kWh per Month | | 8,364 | | 8,364 | | 9,271 | | 9,271 | | 7,456 | | 7,456 |
| BSC | \$ | 34.02 | \$ | 34.02 | \$ | 34.02 | \$ | 34.02 | \$ | 34.02 | \$ | 34.02 |
| Demand Charge | | 203.45 | | 203.45 | | 220.40 | | 220.40 | | 186.49 | | 186.49 |
| Energy Charge | | 519.03 | | 519.03 | | 630.20 | | 630.20 | | 407.86 | | 407.86 |
| Sub-Total Base Rates | \$ | 756.50 | \$ | 756.50 | \$ | 884.62 | \$ | 884.62 | \$ | 628.37 | \$ | 628.37 |
| PSA - Forward Component | | 42.49 | | 42.49 | | 47.10 | | 47.10 | | 37.88 | | 37.88 |
| PSA - Historical Component | | 2.16 | | 2.16 | | 2.39 | | 2.39 | | 1.92 | | 1.92 |
| Interim Rate Adjustor (January 2009) | | 18.90 | | 18.90 | | 20.95 | | 20.95 | | 16.85 | | 16.85 |
| CRCC (April 2005) | | 2.83 | | 2.83 | | 3.13 | | 3.13 | | 2.52 | | 2.52 |
| EIS (July 2007) | | 1.34 | | 1.34 | | 1.48 | | 1.48 | | 1.19 | | 1.19 |
| RES (January 1, 2009) | | 66.38 | | 66.38 | | 73.58 | | 73.58 | | 59.18 | | 59.18 |
| DSMAC (April 2009) | | 8.10 | | 8.10 | | 8.71 | | 8.71 | | 7.49 | | 7.49 |
| TCA (May, 2009) | | 18.90 | | 26.73 | | 20.33 | | 28.74 | | 17.47 | | 24.71 |
| Total (Base Rates plus Adjustments) | \$ | 917.58 | \$ | 925.41 | \$ | 1,062.29 | \$ | 1,070.70 | \$ | 772.87 | \$ | 780.11 |
| Bill Impact | | | | 7.83 | | | | 8.41 | | | | 7.24 |
| Percent Bill Impact | | | | 0.85% | | | | | | | | |

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Revised TCA

Mean kWh

| G.S. (Rate E-34 High Load Factor) Secondary Voltage and Instrument-Rated Meter | Current Rates | | Proposed Rates | | Current Rates | | Proposed Rates | | Current Rates | | Proposed Rates | |
|---|----------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Average Monthly Bill (1/2) | Average Monthly Bill | Average Monthly Bill | Average Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill | Winter Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
| Average kWh per Month | 2,622.416 | 2,622.416 | 2,622.416 | 2,622.416 | 2,806.239 | 2,806.239 | 2,806.239 | 2,806.239 | 2,438.592 | 2,438.592 | 2,438.592 | 2,438.592 |
| BSC | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 |
| Demand Charge | 74,958 | 74,958 | 74,958 | 74,958 | 81,155.17 | 81,155.17 | 81,155.17 | 81,155.17 | 68,760.02 | 68,760.02 | 68,760.02 | 68,760.02 |
| Energy Charge | 97,422.74 | 97,422.74 | 97,422.74 | 97,422.74 | 104,251.78 | 104,251.78 | 104,251.78 | 104,251.78 | 90,593.69 | 90,593.69 | 90,593.69 | 90,593.69 |
| Sub-Total Base Rates | \$ 172,414.35 | \$ 172,414.35 | \$ 172,414.35 | \$ 172,414.35 | \$ 185,440.97 | \$ 185,440.97 | \$ 185,440.97 | \$ 185,440.97 | \$ 159,387.73 | \$ 159,387.73 | \$ 159,387.73 | \$ 159,387.73 |
| PSA - Forward Component | 13,321.87 | 13,321.87 | 13,321.87 | 13,321.87 | 14,255.69 | 14,255.69 | 14,255.69 | 14,255.69 | 12,388.05 | 12,388.05 | 12,388.05 | 12,388.05 |
| PSA - Historical Component | 676.59 | 676.59 | 676.59 | 676.59 | 724.01 | 724.01 | 724.01 | 724.01 | 629.16 | 629.16 | 629.16 | 629.16 |
| Interim Rate Adjustor (January 2009) | 5,926.66 | 5,926.66 | 5,926.66 | 5,926.66 | 6,342.10 | 6,342.10 | 6,342.10 | 6,342.10 | 5,511.22 | 5,511.22 | 5,511.22 | 5,511.22 |
| CRCC (April 2005) | 886.38 | 886.38 | 886.38 | 886.38 | 948.51 | 948.51 | 948.51 | 948.51 | 824.24 | 824.24 | 824.24 | 824.24 |
| EIS (July 2007) | 419.59 | 419.59 | 419.59 | 419.59 | 449.00 | 449.00 | 449.00 | 449.00 | 390.17 | 390.17 | 390.17 | 390.17 |
| RES (January 1, 2009) | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 |
| DSMAC (April 2009) | 1,339.35 | 1,339.35 | 1,339.35 | 1,339.35 | 1,450.08 | 1,450.08 | 1,450.08 | 1,450.08 | 1,228.62 | 1,228.62 | 1,228.62 | 1,228.62 |
| TCA (May, 2009) | 1,695.46 | 1,695.46 | 1,102.54 | 1,102.54 | 1,835.63 | 1,835.63 | 1,193.69 | 1,193.69 | 1,555.28 | 1,555.28 | 1,011.38 | 1,011.38 |
| Total (Base Rates plus Adjustments) | \$ 197,034.03 | \$ 197,034.03 | \$ 196,441.11 | \$ 196,441.11 | \$ 211,799.77 | \$ 211,799.77 | \$ 211,157.83 | \$ 211,157.83 | \$ 182,268.25 | \$ 182,268.25 | \$ 181,724.35 | \$ 181,724.35 |
| Bill Impact | | | | | | | | | | | | |
| Percent Bill Impact | | | | | | | | | | | | |

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Revised TCA

| G.S. (Rate E-35 High Load Factor) Secondary Voltage and Instrument-Rated Meter | Mean kWh | | | | | |
|---|-----------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| | Current Rates | | Proposed Rates | | Current Rates | |
| | Average Monthly Bill (1)(2) | Average Monthly Bill | Average Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill |
| Average kWh per Month | 3,643,316 | 3,643,316 | 3,643,316 | 3,884,267 | 3,884,267 | 3,402,365 |
| BSC | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 | \$ 34.02 |
| On-Peak Demand Charge | 130,833.51 | 130,833.51 | 130,833.51 | 130,347.58 | 131,319.43 | 131,319.43 |
| Off-Peak Demand Charge | 25,061.89 | 25,061.89 | 25,061.89 | 25,678.15 | 24,445.62 | 24,445.62 |
| On-Peak kWh Charge | 408,369.95 | 408,369.95 | 408,369.95 | 423,078.43 | 393,661.47 | 393,661.47 |
| Off-Peak kWh Charge | 729,601.81 | 729,601.81 | 729,601.81 | 765,439.60 | 693,764.01 | 693,764.01 |
| Sub-Total Base Rates | \$ 1,293,901.17 | \$ 1,293,901.17 | \$ 1,293,901.17 | \$ 1,344,577.78 | \$ 1,243,224.55 | \$ 1,243,224.55 |
| PSA - Forward Component | 18,508.05 | 18,508.05 | 18,508.05 | 19,732.08 | 17,284.01 | 17,284.01 |
| PSA - Historical Component | 939.98 | 939.98 | 939.98 | 1,002.14 | 877.81 | 877.81 |
| Interim Rate Adjustor (January 2009) | 8,233.89 | 8,233.89 | 8,233.89 | 8,778.44 | 7,689.34 | 7,689.34 |
| CRCC (April 2005) | 1,231.44 | 1,231.44 | 1,231.44 | 1,312.88 | 1,150.00 | 1,150.00 |
| EIS (July 2007) | 582.93 | 582.93 | 582.93 | 621.48 | 544.38 | 544.38 |
| RES (January 1, 2009) | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 | 353.78 |
| DSMAC (April 2009) | 2,354.55 | 2,354.55 | 2,354.55 | 2,465.63 | 2,243.46 | 2,243.46 |
| TCA (May, 2009) | 2,354.55 | 1,531.14 | 1,531.14 | 2,465.63 | 2,243.46 | 1,458.90 |
| Total (Base Rates plus Adjustments) | \$ 1,328,460.34 | \$ 1,327,636.93 | \$ 1,327,636.93 | \$ 1,381,309.84 | \$ 1,275,610.79 | \$ 1,274,826.23 |
| Bill Impact | \$ | \$ | \$ (823.41) | \$ | \$ | \$ (784.56) |
| Percent Bill Impact | | | -0.06% | | | |

Note: (1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels and interim base rate surcharge in effect as of May 1, 2009.
(2) Used Load Research COSS data for on-peak and off-peak percentages.

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Revised TCA

Median kWh

| | Current Rates | | Proposed Rates | | Current Rates | | Proposed Rates | | Current Rates | | Proposed Rates | |
|--------------------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Annual Average Monthly Bill (1) | Annual Average Monthly Bill | Annual Average Monthly Bill | Annual Average Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill | Winter Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
| Residential (Rate E-12) | | | | | | | | | | | | |
| Median kWh per Month | 582 | 582 | 582 | 582 | 664 | 664 | 664 | 664 | 499 | 499 | 499 | 499 |
| Basic Service Charge | \$ | 7.59 | \$ | 7.59 | \$ | 7.59 | \$ | 7.59 | \$ | 7.59 | \$ | 7.59 |
| First 400 kWh | | 37.92 | | 37.92 | | 34.28 | | 34.28 | | 41.55 | | 41.55 |
| Next 400 kWh | | 32.14 | | 32.14 | | 32.14 | | 32.14 | | | | |
| All additional kWh | | | | | | | | | | | | |
| Sub-Total Base Rates | \$ | 61.58 | \$ | 61.58 | \$ | 74.01 | \$ | 74.01 | \$ | 49.14 | \$ | 49.14 |
| PSA - Forward Component | | 2.96 | | 2.96 | | 3.37 | | 3.37 | | 2.53 | | 2.53 |
| PSA - Historical Component | | 0.15 | | 0.15 | | 0.17 | | 0.17 | | 0.13 | | 0.13 |
| Interim Rate Adjustor (January 2009) | | 1.32 | | 1.32 | | 1.50 | | 1.50 | | 1.13 | | 1.13 |
| CRCC (April 2005) | | 0.20 | | 0.20 | | 0.22 | | 0.22 | | 0.17 | | 0.17 |
| EIS (July 2007) | | 0.10 | | 0.10 | | 0.11 | | 0.11 | | 0.08 | | 0.08 |
| RES (January 1, 2009) | | 3.17 | | 3.17 | | 3.17 | | 3.17 | | 3.17 | | 3.17 |
| DSMAC (April 2009) | | 0.35 | | 0.35 | | 0.40 | | 0.40 | | 0.30 | | 0.30 |
| TCA (May, 2009) | | 0.70 | | 1.32 | | 0.80 | | 1.50 | | 0.60 | | 1.13 |
| Total (Base Rates plus Adjustments) | \$ | 70.52 | \$ | 71.14 | \$ | 83.75 | \$ | 84.45 | \$ | 57.25 | \$ | 57.78 |
| Bill Impact | | | | 0.62 | | | | 0.70 | | | | 0.53 |
| Percent Bill Impact | | | | 0.88% | | | | | | | | |

| Residential (Rate ET-1) | | Annual Average Monthly Bill (1) | Annual Average Monthly Bill | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
|--------------------------------------|----|--|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Median kWh per Month | | 1,332 | 1,332 | 1,702 | 1,702 | 961 | 961 |
| BSC | | | | | | | |
| On-Peak kWh Charge | \$ | 14.79 | 14.79 | 14.79 | 14.79 | 14.79 | 14.79 |
| Off-Peak kWh Charge | | 70.80 | 70.80 | 101.98 | 101.98 | 39.62 | 39.62 |
| Sub-Total Base Rates | \$ | 43.08 | 43.08 | 54.01 | 54.01 | 32.14 | 32.14 |
| PSA - Forward Component | | 128.67 | 128.67 | 170.78 | 170.78 | 86.55 | 86.55 |
| PSA - Historical Component | | 6.77 | 6.77 | 8.65 | 8.65 | 4.88 | 4.88 |
| Interim Rate Adjustor (January 2009) | | 0.35 | 0.35 | 0.44 | 0.44 | 0.25 | 0.25 |
| CRCC (April 2005) | | 3.01 | 3.01 | 3.85 | 3.85 | 2.17 | 2.17 |
| EIS (July 2007) | | 0.45 | 0.45 | 0.58 | 0.58 | 0.32 | 0.32 |
| RES (January 1, 2009) | | 0.21 | 0.21 | 0.27 | 0.27 | 0.15 | 0.15 |
| DSMAC (April 2009) | | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 | 3.17 |
| TCA (May, 2009) | | 0.81 | 0.81 | 1.03 | 1.03 | 0.58 | 0.58 |
| Total (Base Rates plus Adjustments) | \$ | 145.05 | 146.45 | 190.83 | 192.61 | 99.23 | 100.24 |
| Bill Impact | | | | | | | |
| Percent Bill Impact | | | | | | | |